



**NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT**

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

April 27, 2000

SDX Resources, Inc.
P. O. Box 5061
Midland, Texas 79704

Attention: Chuck Morgan

Administrative Order NSP-1818

Dear Mr. Morgan:

Reference is made to: (i) your application dated March 1, 2000; (ii) a meeting on Thursday, April 27, 2000 in Santa Fe between Mr. Michael E. Stogner, New Mexico Oil Conservation Division ("Division") Engineer/Chief Hearing Officer, and Mr. W. Thomas Kellahin, Legal Counsel for SDX Resources, Inc. ("SDX"); and (iii) the Division's records in Hobbs and Santa Fe: all concerning SDX's request for a 160-acre non-standard gas spacing and proration unit ("GPU") consisting of the following acreage in the Jalmat Gas Pool:

LEA COUNTY, NEW MEXICO
TOWNSHIP 22 SOUTH, RANGE 36 EAST, NMPM
Section 34: SW/4.

It is my understanding that this unit is to be dedicated to SDX's proposed Atlantic State Well No. 1 to be drilled at a standard gas well location 990 feet from the South line and 660 feet from the West line (Unit M) of Section 34.

By authority granted me under the provisions of **Rule 2(d)** of the "*General Rules for the Prorated Gas Pools of New Mexico/Special Rules and Regulations for the Jalmat Gas Pool*", as promulgated by Division Order No. R-8170, as amended, you are hereby authorized to operate the above-described non-standard GPU with allowable assigned thereto in accordance with Rule 5 of the applicable pool rules based upon the unit size of 160 acres.

FURTHER, the creation of this GPU and its dedication of SDX's proposed Atlantic State Well No. 1 supersedes a previous non-standard 160-acre GPU comprising the same acreage that was dedicated to ARCO Permian's Hale "WN" Well No. 1 (**API No. 30-025-09138**), located at a standard gas well location 1650 feet from the South and West lines (Unit K) of Section 34, which had been established by Division Order No. R-520, dated August 12, 1954. It is the Division's understanding that the Hale "WN" Well No. 1 is shut-in and the Jalmat interval has been abandoned since 1989.

Sincerely,

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division – Hobbs
W. Thomas Kellahin, Legal Counsel for SDX Resources, Inc. - Santa Fe